

Message Text

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ACTION NEA-10

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P 131225Z OCT 76

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC PRIORITY 5966

C O N F I D E N T I A L COLOMBO 3823

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NEA ONLY

FROM AMBASSADOR FOR KUX NEA/INS

E.O. 11652:GDS

TAGS: OGEN, CE

SUBJECT:INITIAL PAYMENT ISSUE

REF: (A) STATE 253062; (B) COLOMBO 3822

1. YOU WILL NOTE FROM THE REPORT OF THE FIRST NEGOTIATING SESSION (REFTEL B), THAT VELAYUTHAM AND COMPANY SEEMED TO ACCEPT THE ARGUMENTS FOR INCREASING THE INITIAL PAYMENT WITHOUT TOO MUCH COMPLAINT. IT REMAINS TO BE SEEN, HOWEVER, WHETHER SECRETARY GUNASEKERA AND THE PRIME MINISTER ARE EQUALLY COMPLAINT. EXTERNAL RESOURCES IS ALMOST INDECENTLY ANXIOUS TO SIGN AN AGREEMENT AS SOON AS POSSIBLE AND THIS NO DOUBT REFLECTS HIGHER LEVEL WISHES. I IMAGINE THE DESIRE TO HAVE ADEQUATE FOOD SUPPLIES ON HAND PRIOR TO ELECTIONS MAY HAVE SOMETHING TO DO WITH THE GSL'S HASTE.

2. I NOTE FROM COLOMBO 244840 THAT WE ARE EQUALLY ANXIOUS TO SIGN. HAVING RECEIVED THE AUTHORIZATION TO BEGIN NEGOTIATIONS ON OCTOBER 12, THERE IS NO POSSIBILITY OF SIGNING BY THE 15TH. GIVEN OUR THREE WORKING DAY NOTIFICATION REQUIREMENT, THE GSL WOULD HAVE HAD TO AGREE TO SIGN THE SAME DAY WE STARTED NEGOTIATIONS. EVEN IF THERE ARE NO PROBLEMS, OCTOBER 26 IS PROBABLY THE

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EARLIEST AN AGREEMENT COULD BE SIGNED FOR THE REASONS

EXPLAINED IN PARA 7, REFTEL B.

3. THE GSL APPEARS TO HAVE DROPPED THE IDEA OF GRANT RICE. AS INDICATED REFTEL B, THE ONLY ISSUE RAISED BY EXTERNAL RESOURCES WAS THE UMR FOR RICE. IF PRC RICE CANNOT BE COUNTED AGAINST THE UMR, THE GSL COULD POSSIBLY HAVE DIFFICULTY IN MEETING THE PROPOSED UMR OF 155,000 METRIC TONS IF THE MAHA HARVEST IS VERY GOOD. HOWEVER, WHILE THE ISLAND HAS EXPERIENCED HEAVY RAINS IN THE PAST FEW DAYS , THESE ARE RATHER LATE INTER-MONSOONAL RAINS; THE CRUCIAL FACTOR WILL BE THE NORTH-EAST MONSOON AND PRELIMINARY INDICATIONS ARE THAT IT MAY BE POOR. ANOTHER PROBLEM COULD ARISE IF US RICE IS FOUND TO BE PALATABLE AND THE GSL TAKES THE FULL 50,000 MT. THIS WOULD REDUCE SRI LANKA'S COMMERCIAL NEEDS BY THAT AMOUNT. THUS, THE GSL COULD FIND ITSELF UNABLE TO TAKE THE FULL 50,000 MT OF PL 480 RICE BY THE NEED TO MAINTAIN THE UMR LEVEL OF COMMERCIAL IMPORTS. IF THIS SITUATION SHOULD DEVELOP, I THINK IT WOULD BE IN OUR INTEREST TO LOWER THE RICE UMR. SINCE US RICE IS STILL MUCH MORE EXPENSIVE THAN RICE FROM PAKISTAN AND THAILAND, WE ARE UNLIKELY TO SUPPLY ANY OF SRI LANKA'S COMMERCIAL IMPORTS.

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